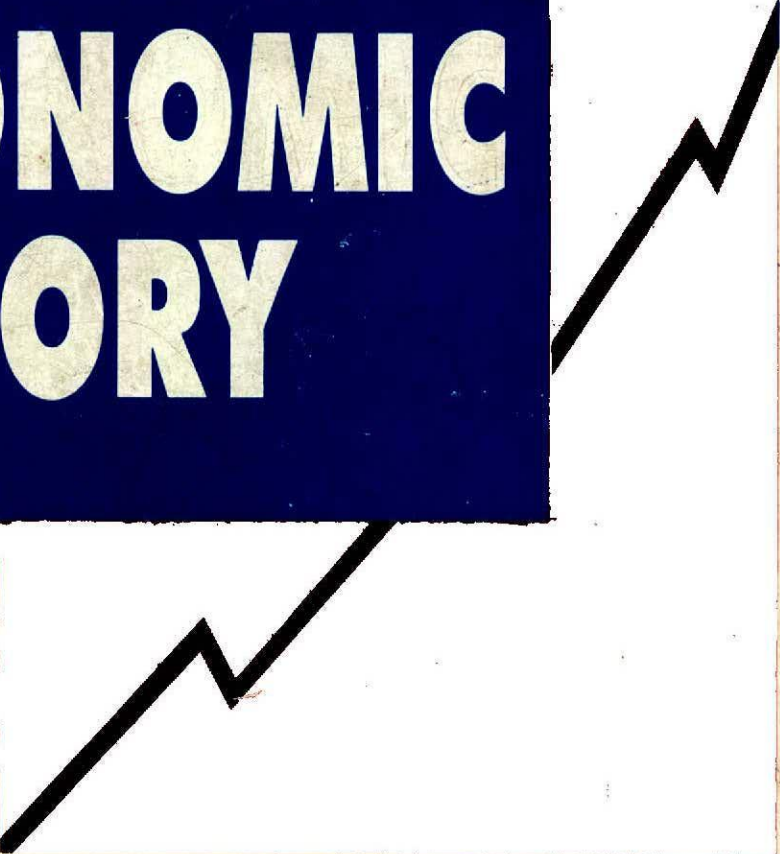


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PREFACE TO THE TWENTYFIRST (1984) EDITION

The book has been in the market for nearly forty years. During this long period, it has undergone several revisions, additions and alterations to keep abreast of the latest developments in economic theory in an attempt to live up to its little 'modern' and, in the process, it has also become quite comprehensive in its range and coverage embracing Price Theory or Micro Economics, Income and Employment Theory or Macro Economics, Money and Banking, International Trade, Public Finance, Economic Systems, Economics of Development and Planning and Economics of Welfare.

In recent revisions, special emphasis has been put on deleting out-of-date material and on introducing instead new topics and improving the others. In the last edition were added **Bernoulli Hypothesis** **Friedman-Savage Hypothesis** and **Markowitz Hypothesis** in the demand theory; **Baumol's Sales-maximisation Principle** in the theory of the firm; **mark-up Principle**, **Duopoly models**, **Cournot model**, **Edgeworth model** **Baumol's Sales-maximisation model** and **Chamberlin model** in Price-output Determination; a discussion on **Impact of Technical Progress on the Relative Factor Shares**, **Macro Distribution Theories**; **Marxian Theory**, **Kalecki's Degree of Monopoly Theory**, **Neo-classical Theory**; **Pigou Effect** or **Real Balance Effect**; **Ratchet Effect**; **Mathews' Model of Trade Cycle**; **Monetarists' Recipe to Control Inflation**; **Indexation**; **Optimising Approach**, **Fiscal Target Approach**, **Harmonious Adjustment** and **Judicious Mix Approach** in **monetary policy**; in the theory of tariffs **Stolper-Samuelson Theorem** and the **Terms of Trade Effect**. In **Economics of Development** were added **Dualism** and **Economic Under-development** **Lewis's Model of Economic Development** and **Relevance of Harrod-Domar Model** for developing countries. In **Economics of Welfare** we added **Recent Developments** in, and **Criticism of Compensation Principle**, **Market Structure** and **Social Welfare** and **Arrow's Impossibility Theorem**.

These additions and improvements greatly added to the popularity of the book both in India and abroad and several reprints and foreign editions had to be brought out. Encouraged by the big response of the students and teachers, we have now undertaken another thorough and wide-ranging revision of the book deleting old and out-of-date material and adding the following new topics which have come to be incorporated in the corpus of economic theory in recent years:

Retreat from Keynesianism: Supply-side Economics
Inverse-J Cost Curve
Maximisation of Profit; Single-owner Entrepreneur
Concept of Product Group under Monopolistic Competition
Full-cost Pricing Principle
Exploitation of Labour
Concepts of Money and Money Stock Measures
Friedman's Restatement of the Quantity Theory of Money
Static and dynamic Gains from Foreign Trade
Factor-Price Equalisation in International Trade
I.M.F. Conditionality Clause.

We have no doubt that these additions, alterations and improvements will enhance the popularity of the book still further and it will be able to meet more adequately the requirements of the B.A. (Pass and Honours), B. Com (Pass and Hons.) and M.A./M.Com students as well as of the candidates for the various public services and other competitive examinations.

We have pleasure in thanking teachers of economics in India and abroad for the suggestions they were good enough to send us for the present edition. We shall be failing in our duty if we do not add that the sole credit of making improvements in the book not only in the present edition but also in the previous editions goes to **Dr. J.D. Verma M.A. Ph. D (London)** formerly Professor and Head of the Department of Economics Punjab University who has been our guide, philosopher and friend. Our special thanks are due to him.

Authors